COMMITTEE REPORT

SENATE

Mr. President: Date ____________

The Committee on Finance has had HB 559
[illegible] in the Public Employees Retirement System
under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

( ) recommends it BE REPLACED WITH CS FOR ____________ AND THAT

CS FOR ______________ DO PASS

( ) "and" recommends it BE REFERRED TO THE ____________________

COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

_______________ _______________ _______________

_______________ _______________ _______________

_______________ _______________ _______________

_______________ _______________ _______________

Members NOT concurring in the Majority report:

_______________ recommends:

_______________ recommends:

_______________ recommends:

_______________ recommends:

_______________ recommends:

_______________ Chairman

Alaska
MUNICIPAL
League

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204 N. FRANKLIN ST
JUNEAU, ALASKA 99801

April 7, 1976

The Honorable Bill Ray
Chairman, Senate Finance Committee

Dear Mr. Chairman:

You ask that I remind you one more time of the social security bill we would like to have reported out of your Committee. So here goes - it is HB 569.

As a refresher, I am enclosing herewith a copy of our letter of March 23 on the same subject. I am also taking the liberty of enclosing a very pertinent and interesting article from the April 5, 1976 edition of Time Magazine.

Thanks again for your help.

Sincerely,

Don M. Berry

Don M. Berry
Executive Director

ermen look brighter. The unilateral extension of U.S. jurisdiction to 200 miles will inevitably prompt other nations to follow suit, causing sweeping changes in traditional fishing patterns. (The United Nations Law of the Sea Conference has yet to take any multilateral action.) Nations with short coastlines, like Poland and East Germany, could find themselves sharply restricted as to where they can fish, and new markets for U.S.-caught fish could open up.

SOCIAL SECURITY

Big Apple Bye-Bye

For most Americans the Social Security tax is one that cannot be evaded or even reduced. Not so for state and local governments; unlike private businesses, they are free to pull themselves and their employees out of Social Security if they choose. In the past two years 138 cities, counties and other jurisdictions, including Alaska, have given up their memberships in the Social Security system, and another 207 government units have declared their intention to do so. Last week Mayor Abraham Beame announced that New York City, the biggest local government of all, would join the dropouts, and New Jersey's fiscal affairs office recommended that the state consider a pullout.

Since by law state and local governments are immune from federal taxation, the ones that participate in Social Security join voluntarily. They may quit after ten years by declaring their intent two years in advance and may change their minds during the notice period. The roster of dropouts is growing because Social Security taxes are mounting—employer and employee shares have each reached a maximum $895.05 a year—and are likely to keep climbing. Private pension plans often turn out to be a better investment, especially since the 1974 Employee Retirement Security Act ensures that workers whose private pension plans collapse will be paid with federal funds.

The Metropolitan Washington Council of Governments, for example, which includes various communities near the District of Columbia, found it could enter into a private pension plan and pay no more than it paid to Social Security, but employees could retire at age 60 instead of 65, with no loss in benefits. In San Jose, Calif., which left the system last year, city workers now contribute 3% less than they did under Social Security and enjoy benefits that average 25% higher.

Starting the Clock. New York City has a more urgent motive for quitting: the need to balance its books after its close brush with bankruptcy. Columbia University Professor Raymond Horton, staff director of a commission on city finances, concluded that New York could save as much as $183 million a year by leaving the Social Security system for two years and setting up its own program to provide death and disability benefits. But a temporary pullout would require permission from Congress, so Beame decided to "start the clock running" on the two-year notice period for a permanent defection.

For the time being, only workers under direct control of the mayor's office—112,000 of the city's 250,000 employees—stand to be affected. If New York does abandon Social Security in 1978, these people will take home considerably more money—up to $895.05 a year if today's tax rate still applies. Of course, the city would have to join a private plan or set up one of its own to cover employees who are not vested and supplement the benefits of those who are.

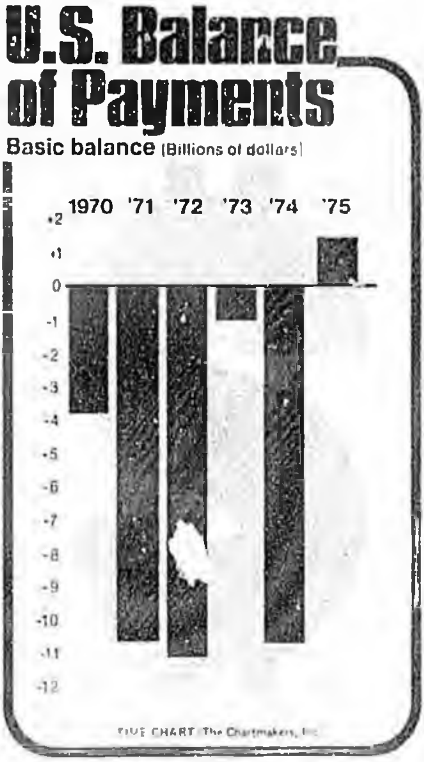
Leaders of New York's municipal unions headed by Victor Gotbaum, executive director of the State, County and Municipal Employees Union, were out-

OLIVIER REBBOT—CONTACT

NEW YORK'S GOTBAUM
Countdown to pullout.

raged and threatened to go to court to block the dropout. City officials may seek concessions from the unions in upcoming negotiations in return for sticking with Social Security. Elsewhere, employees have favored quitting. In March 1975, 14 of the 15 bargaining units representing the employees of Sacramento County, Calif., asked the board of supervisors to study alternatives to Social Security; three months later the county filed its intent to withdraw.

Social Security Administration officials do not consider the defections ominous—yet. As employment by local governments grows, they point out, more municipal employees are coming into the system than are leaving it. But the gap is narrowing. In 1974, 7,845 local-government employees left, while 25,000 came in; last year there were 18,000 exits and 25,000 entrances. With the addition of New York, some 170,000 more workers may leave in the next two years.



TRADE

Speeding Up a Snail

Even for multinational economic negotiations, the trade talks among 93 nations sponsored by the General Agreement on Tariffs and Trade have been proceeding at a snail's pace. Negotiations were launched 30 months ago, and so far have accomplished next to nothing—mostly because the U.S first had to get a law passed giving the President authority to offer concessions, then conduct Government-industry-labor consultations on its negotiating position. Last week, however, Chief U.S. Negotiator William N. Walker finally presented the first major U.S. proposal: all industrial nations should cut tariffs 50% to 60%. With that, the GATT talks in Geneva can finally get down to hard bargaining.

Results will not be lightning fast even now. The negotiators have given themselves until the end of next year to wrap up an agreement, and they will need the time. The tariff problem is only the first that must be resolved. In the past, the U.S. has advocated "linear" tariff cuts (reducing all tariffs by the same percentage): Europeans have wanted "harmonization" (extra-deep cuts in the highest tariffs). Even though tariffs in both the U.S. and the Common Market average between 9% and 10%, Europeans argue that U.S. duties are unevenly distributed between very high and very low rates, while theirs tend to cluster within a narrower range.

Another difficulty: the U.S. insists that its tariff-cutting formula be applied to agriculture as well as factory products so that American farmers can sell more food in the EEC. The Europeans consider their protectionist Common Agricultural Policy (CAP) a cornerstone of European unity and are reluctant to tamper with it. Even so, some sort of basic agreement on a tariff-cutting formula should be possible by this fall.

Tackling Barriers. At the same time, delegates must tackle an even tougher issue: nontariff barriers (NTBs), which have taken on increased importance as countries cut duties. NTBs include export subsidies, safety standards, customs procedures, packing and labeling regulations, import quotas and other means by which governments can bar imports. GATT experts have drawn up a list of 850 NTBs to be discussed, but no one expects that the negotiators will be able to eliminate more than a few.

For the U.S., the discussions might seem less urgent than they did when Richard Nixon proposed them in 1972. Nixon was seeking a way to stop what was then a hemorrhage of dollars out of the U.S. But last week the Government reported that the 1975 U.S. "basic" balance of payments (current transactions plus long-term capital movements) showed a surplus for the first time in the 15 years these figures have been recorded. Main reason for the improvement: higher sales of U.S. goods abroad as a result of previous dollar devaluations. Still, the GATT talks are hugely important to world prosperity. The volume of international trade last year dropped by 6%, to $731 billion.

FISHING

Repelling Foreigners

Posters plastered all over the picturesque fishing port of New Bedford, Mass., proclaim: THE SOVIET FISHING FLEET IS TWELVE MILES OFF OUR COAST AND SUCKING UP EVERYTHING THAT SWIMS, CRAWLS OR HIDES IN THE SAND. Beneath ominous-looking silhouettes of Russian trawlers, the posters urge: SUPPORT THE 200-MILE FISHING LIMIT. Congress is now getting the message. This week both House and Senate are expected to pass a bill extending U.S. jurisdiction over coastal waters from its present twelve miles to 200 miles; President Ford's signature is likely. Under the bill, which will take effect next March, the Government will enforce quotas on how many fish can be caught, and by whom, within the 200-mile "resource zone." U.S. fishermen will net as much of the quota as they physically can; foreign vessels will be licensed to catch only the remainder. TIME Correspondent David Wood, who has covered the fishing industry dockside and at sea, reports:

The bill's progress has caused a surge of optimism in the ailing East Coast fishing industry, especially in New England ports. Fishermen there have long blamed foreign competition, par-

March 23, 1976

The Honorable Bill Ray
Chairman, Senate Finance Committee

Dear Mr. Chairman:

On March 10, 1976, HB 569 was referred to your Committee after having received a "do pass" recommendation from the Senate Community and Regional Affairs Committee.

Very briefly, HB 569 would eliminate the requirement in present law that a political subdivision must provide social security coverage to be eligible to participate in the Public Employees Retirement System.

The Alaska Municipal League strongly supports this bill but finds itself in somewhat of a dilemma due to previous legislative action on the measure. For your information here is the history of that action:

SB 551, an identical bill, was introduced at the request of the Governor and subsequently passed the Senate, 19-0 on February 11, 1976. The bill was referred to the House Community and Regional Affairs and Finance Committees but, as yet, has not moved out of the first referral Committee.

HB 569, introduced by Representatives Parker and Gruening, passed the House, 35-0 on February 17, 1976.

I discussed my problem with Senate President Croft and he agreed to ask the Senate to go ahead and consider HB 569. Consequently, the bill moved out of Community and Regional Affairs and into your Committee. Since identical legislation has passed both branches of the Legislature without a dissenting vote, I hope you can see your way clear to giving the bill favorable consideration and moving it to Rules.

We certainly want to thank you for your courteous consideration in this matter and for your help in solving our somewhat unusual dilemma.

Sincerely,

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Introduced: 1/15/76
Referred: State Affairs and Finance

IN THE HOUSE BY PARKER AND GRUENING

HOUSE BILL NO. 569

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to participation in the Public Employees Retirement System; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 39.35.550 is amended to read:

Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO PARTICIPATE AND ADOPTION OF RESOLUTION. A municipality or other political subdivision of the state [WHICH PROVIDES COVERAGE FOR ITS EMPLOYEES UNDER TITLE II OF THE FEDERAL SOCIAL SECURITY ACT] may request to become a participating employer in this system. The request shall be made after adoption of a resolution by the legislative body of the political subdivision and after approval of the resolution by the person required by law to approve the resolution. A certified copy of the resolution shall be filed with the Department of Administration. If the commissioner of administration approves the request for participation, the political subdivision is a participating employer.

* Sec. 2. AS 39.35.560 is amended to read:

Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND ADOPTION OF RESOLUTION. A public or quasi-public organization created wholly or partly by, or deriving its powers from, the legislature of the state[, WHICH PROVIDES COVERAGE FOR ITS EMPLOYEES UNDER TITLE II OF THE FEDERAL SOCIAL SECURITY ACT,] may request to become a participating employer in this system. The request shall be made after adoption of a resolution by the governing body of the public organization. A certified copy of the resolution shall be filed with the Department of Administration. If the commissioner of administration approves the request for participation, the public organization is a participating employer.

* Sec. 3. This Act takes effect July 1, 1976.

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